

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 12641 221911Z
ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01
COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 EURE-00
NSCE-00 SSO-00 USIE-00 INRE-00 NRC-05 AF-08 ARA-06
EA-07 NEA-10 /131 W

----- 096479 /65

O R 221724Z DEC 76
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 2672
INFO ALL EC CAPITALS 2927
USMISSION OECD PARIS

LIMITED OFFICIAL USE EC BRUSSELS 12641

E.O.11652: N/A
TAGS: EEC ENRG
SUBJECT: EC ENERGY COUNCIL, DECEMBER 21, 1976: RESULTS

REF: (A) EC BRUSSELS 12476 (B) EC BRUSSELS 10398

1. SUMMARY: THE EC ENERGY MINISTERS, AT THEIR DECEMBER 21 MEETING, APPROVED "THE SUBSTANCE OF A DECISION" PROVIDING MEASURES TO REGULATE EC PETROLEUM TRADE IN THE EVENT OF AN OIL SHORTAGE BUT, BECAUSE OF ITALIAN OPPOSITION, WERE UNABLE TO APPROVE THE SECOND HALF OF THE ENERGY CRISIS MANAGEMENT PACKAGE REGARDING ESTABLISHMENT OF TARGETS FOR EMERGENCY REDUCTION OF ENERGY CONSUMPTION. THE UK CONTINUED TO INSIST THAT THE MINIMUM SAFEGUARD PRICE (MSP) SHOULD BE APPROVED BEFORE IT WOULD GO ALONG WITH OTHER IMPORTANT ENERGY MEASURES. THE UK SOFTENED ITS POSITION SUFFICIENTLY, HOWEVER, TO PERMIT RENEWAL OF COKING COAL SUBSIDIES -- BUT FOR ONE YEAR ONLY. THE COUNCIL ALSO TOOK NOTE OF THE COMMISSION'S REPORT ON COAL AND ITS PLANNED DISTRIBUTION OF AID TO URANIUM EXPLORA
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 12641 221911Z

A
TION, NEITHER OF WHICH ITEMS REQUIRED COUNCIL APPROVAL, AND APPROVED AN ENERGY WORK PROGRAM FOR 1977. THE EARLY DEPARTURE OF UK MINISTER OF ENERGY BEEN AND LACK OF TIME PREVENTED SUBSTANTIVE DISCUSSIONS OF MSP AND COAL. END SUMMARY.

2. EMERGENCY ENERGY TRADE MEASURES: AFTER DIFFICULT DISCUSSIONS ABSORBING MOST OF THE COUNCIL'S TIME, THE MINISTERS ARRIVED AT COMPROMISES WHICH PERMITTED APPROVAL OF THE SUBSTANCE OF A COUNCIL DECISION REGARDING INTRA-COMMUNITY TRADE IN CRUDE OIL AND PETROLEUM PRODUCTS IN CASE OF SUPPLY DIFFICULTIES. THE APPROVED MEASURES, IN EFFECT, PERMIT A DEROGATION FROM THE PROVISIONS OF ARTICLE 34 OF THE ROME TREATY (PROHIBITING QUANTITATIVE RESTRICTIONS ON INTRA-COMMUNITY TRADE) IN CASE OF ENERGY SUPPLY PROBLEMS AND PROVIDE A LEGAL BASE IN THE EC CONTEXT FOR IMPLEMENTATION OF THE IEA EMERGENCY OIL SHARING SYSTEM IN THE EIGHT EC IEA MEMBERS. THE DECISION PROVIDES FOUR SETS OF POSSIBLE ACTIONS:

(A) MEMBER STATES WITH COMMISSION AUTHORIZATION CAN INSTALL A SYSTEM OF "AUTOMATIC AUTHORIZATIONS" AFFECTING EXPORTS OF PETROLEUM PRODUCTS WHEN SUPPLY DIFFICULTIES ARISE.

(B) ALSO WITH COMMISSION AUTHORIZATION, THEY CAN SUSPEND THESE AUTHORIZATIONS IN CASES OF "ABNORMAL TRADE FLOWS" (E.G., EXCESSIVE REGIONAL PRICE DIFFERENTIALS OR SHORTAGES). THE SUSPENSION IS VALID FOR TEN DAYS.

(C) IN THE EVENT OF A SERIOUS PETROLEUM SUPPLY SHORTFALL (DEFINED IN A SEPARATE COUNCIL MINUTE TO SATISFY FRENCH POLITICAL SENSITIVITIES AS 7 PER CENT), MEMBER STATES WITH COMMISSION AUTHORIZATION CAN ALSO SUSPEND THESE EXPORT AUTHORIZATIONS "PROVIDED THAT TRADITIONAL TRADE PATTERNS ARE MAINTAINED AS FAR AS POSSIBLE."

(D) A MEMBER STATE FACED BY AN ACUTE SHORTAGE OR HEAVY WITHDRAWALS OF PETROLEUM "PREJUDICIAL TO ITS ECONOMY" MAY UNILATERALLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 12641 221911Z

AND TEMPORARILY SUSPEND EXPORT AUTHORIZATIONS AFTER "INFORMING THE OTHER MEMBER STATES AND CONSULTING THE COMMISSION." ACTION UNDER THIS PROVISION IS VALID FOR 10 DAYS ONLY.

3. IN CASES B AND C ABOVE, THE COUNCIL CAN MEET WITHIN 48 HOURS AT THE REQUEST OF A MEMBER STATE AND, BY A QUALIFIED MAJORITY, AMEND OR REVERSE THE ACTION BY THE MEMBER STATE WHICH HAS SUSPENDED EXPORT AUTHORIZATION. IN THE CASE OF D, THE COUNCIL CONVOKED BY EITHER THE COMMISSION OR A MEMBER STATE CAN TERMINATE THE UNILATERAL ACTION BUT ONLY BY A UNANIMOUS VOTE AND APPLY "APPROPRIATE MEASURES" ADOPTED BY A QUALIFIED MAJORITY; SUCH MEASURES WOULD APPLY AFTER EXPIRATION OF THE TEN DAY PERIOD. THE COUNCIL CAN ALSO ADOPT BY UNANIMOUS DECISION "ANY OTHER MEASURE TO ENSURE OPTIMUM SUPPLIES OF CRUDE OIL AND PETROLEUM PRODUCTS FOR THE ENTIRE COMMUNITY."

4. ACCORDING TO A COMMISSION SOURCE, THE MINISTERS INTEND TO INCLUDE IN THE PREAMBLE TO THE DECISION A STATEMENT CONFIRMING THAT MEMBER STATES MUST RESPECT THEIR INTERNATIONAL OBLIGATIONS.

(COMMENT: ALTHOUGH NOT SPECIFIED, THIS CLEARLY IS INTENDED TO REFER TO THE IEA.)

5. ACCORDING TO COMMISSION SOURCES THE FORMAL TEXT OF THE DECISION WILL NOT BE COMPLETED UNTIL LATE JANUARY, SINCE IT IS NECESSARY FOR THE LEGAL SERVICES TO REFINES THE LANGUAGE BEFORE PUBLICATION.

6. EMERGENCY ENERGY SAVING. THE ITALIANS BLOCKED APPROVAL OF THE SECOND HALF OF THE COMMISSION'S PROPOSED CRISIS MANAGEMENT PROPOSALS REGARDING THE ESTABLISHMENT OF TARGETS FOR THE REDUCTION OF PETROLEUM CONSUMPTION IN THE EVENT OF REDUCTIONS (INITIALLY 7 PERCENT) IN OIL SUPPLIES. THE ITALIANS INSISTED THAT THE ENERGY SAVING MEASURES SHOULD APPLY TO ALL FORMS OF ENERGY, NOT JUST PETROLEUM. THEY ARGUED THAT THE COMMISSION PROPOSALS ARE BIASED AGAINST ITALY WHICH HAS FEW ALTERNATIVES TO OIL AS AN ENERGY SOURCE. ALTHOUGH SEVERAL COMPROMISE FORMULAS WERE SUGGESTED DURING THE COUNCIL MEETING, THEY WERE ALL REJECTED BY ITALY AND THE FILE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 12641 221911Z

HAS BEEN RETURNED TO COREPER TO SEEK A POSSIBLE COMPROMISE IN CONSULTATION WITH THE COMMISSION.

7. MINIMUM SUPPORT PRICE. THE UK HAD INSISTED UPON ADDITION OF THE PRINCIPLE OF MSP TO THE AGENDA AND LINKED ITS APPROVAL WITH THAT OF EURATOM LOANS FOR NUCLEAR POWER DEVELOPMENT AND OTHER PROPOSED MEASURES. THE DANES REPORTEDLY LIFTED THEIR "RESERVATION" ON EURATOM LOANS THEREBY LEAVING BRITAIN VIRTUALLY ALONE IN BLOCKING APPROVAL OF OTHER MEASURES AS A MEANS OF ASSURING APPROVAL OF MSP. THE BRITISH RELENDED SUFFICIENTLY TO PERMIT RENEWAL OF THE EC SUBSIDIES FOR COKING COAL (AT ROUGHLY 7 MILLION UNITS OF ACCOUNT) FOR 1977 ALONE RATHER THAN THROUGH 1983 AS PROPOSED BY THE COMMISSION

A UK SPOKESMAN TOLD REPORTERS THAT BEFORE HIS DEPARTURE BENN HAD TOLD HIS COLLEAGUES THAT IF MSP AT \$7 PER BARREL WERE NOT APPROVED THIS WOULD AFFECT THE UK'S ABILITY TO PROVIDE ENERGY TO THE EC. HE STRESSED, HOWEVER, THAT THIS LINE WAS NOT INTENDED AS A THREAT BUT MERELY A STATEMENT OF FACT.

8. AMONG OTHER ITEMS ON THE AGENDA THE COUNCIL:
(A) TOOK NOTE OF THE COMMISSION'S PROPOSED DISTRIBUTION OF AID PROPOSED FOR URANIUM EXPLORATION (3 MILLION U.A.) FOR 7 PROJECTS AND THE COMMISSION'S COMMUNICATION ON THE EC COAL INDUSTRY.
(B) APPROVED, WITH MINOR REVISIONS, THE COMMISSION'S PROPOSAL FOR A 1977 ENERGY WORK PROGRAM. THE PROGRAM PROVIDES THAT DURING THE FIRST HALF OF 1977, THE EC WILL ADDRESS THE FOLLOWING ISSUES: (A) RATIONAL USE OF ENERGY AND ENERGY CONSERVATION; (B) PROTECTION AND PROMOTION OF INVESTMENTS IN THE ENERGY SECTOR; (C) ENERGY PRICES; (D) PROMOTION OF COAL USE IN POWER

PLANTS; (E) SUPPORT FOR STRATEGIC COAL RESERVES; (F) OIL REFINING
POLICY; (G) CRUDE OIL STOCKPILING; AND (H) UNDERGROUND COAL
GASIFICATION. DURING THE SECOND HALF, IT WILL TAKE UP: (A)
EXAMINATION OF NATIONAL ENERGY PROGRAMS WITH RESPECT TO EC GOALS;
(B) SUPPLY AND RECYCLING OF FISSIBLE MATERIALS; (C) TECHNOLOGICAL
PROGRESS IN THE HYDROCARBON SECTOR; AND (D) FINANCING OF HYDROCARBON
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 EC BRU 12641 221911Z

EXPLORATION.

(C) THE COUNCIL DID NOT DISCUSS THE BRITISH-BACKED PROPOSAL TO APPROV
E

THE PRINCIPLE OF ESTABLISHING SUBSIDIES FOR TEMPORARY STORAGE
OF COAL.

(D) IT ADOPTED THE FORMAL TEXTS OF A PREVIOUSLY APPROVED
ENERGY RESEARCH AND DEVELOPMENT PROGRAM AND A SCIENTIFIC AND
TECHNICAL EDUCATION AND TRAINING PROGRAM.

(E) AS THE LAST EC COUNCIL FOR 1977, IT AGREED TO ALLOCATIONS OF
369,000 TONS OF SCRAP IRON EXPORTS BY
THE MEMBER STATES.HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, PETROLEUM, REGIONAL ORGANIZATIONS, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU12641
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760469-1162
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761221/aaaaasbn.tel
Line Count: 192
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 12476, 76 EC BRUSSELS 10398
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2004 by ShawDG>; APPROVED <06 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC ENERGY COUNCIL, DECEMBER 21, 1976: RESULTS
TAGS: ENRG, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006